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MAKERERE UNIVERSITY BUSINESS SCHOOL

**INNOVATIVE BEHAVIOUR, ORGANIZATIONAL CULTURE AND
SMEs PERFORMANCE: A CASE OF SMALL AND MEDIUM
ENTERPRISES (SMEs) IN SOUTH DIVISION, MBARARA CITY**

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2019/HD10/25948U

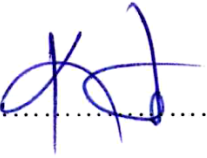
**A DISSERTATION SUBMITTED TO MAKERERE UNIVERSITY BUSINESS
SCHOOL (FACULTY OF GRADUATE STUDIES AND RESEARCH)
IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR
THE AWARD OF THE DEGREE OF MASTER OF
BUSINESS ADMINISTRATION OF
MAKERERE UNIVERSITY**

PLAN A

NOVEMBER, 2023

DECLARATION

I **Kitaka Joseph**, declare that this is my original dissertation which has never been submitted to any institution of higher learning for academic purposes.

Signed.......... Date.....*2nd DECEMBER 2023*.....

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APPROVAL

This dissertation has been submitted with our approval as University Supervisors.

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DEDICATION

This work is dedicated to my wife Mrs Maria Kitaka and my children Gabriel and Raphael, and distinguished friends who participated and supported me in the accomplishment of this study.

ACKNOWLEDGEMENT

I thank the Almighty God for enabling me to complete this course amidst numerous challenging circumstances and giving me life and resources as key facilities to reach this far. I also sincerely appreciate my colleagues who have selflessly supported me to accomplish this dissertation.

My sincere gratitude to my caring supervisors Dr. Aheisibwe Ambrose Rwaheru and Mr. Jalo Twesigomwe who unreservedly offered continual guidance, time, commitment, and availability to ensure a satisfactory completion of this thesis. May God richly bless you.

I also thank all my respondents in the various SMEs in Mbarara District for sparing their precious time to fill in my questionnaires without any hesitation. Minus their input, this work would not have been accomplished.

Special thanks to my classmates and friends for their unwavering support and encouragement.

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ABSTRACT

The purpose of the study was to establish the relationship between innovative behaviour, organizational culture and SMEs Performance, the combined contribution of innovative behaviour and organizational culture on SMEs Performance – a case of SMEs in South Division Mbarara City. The study adopted a cross-sectional and correlation design using a sample of 354 SMEs. One respondent filled the questionnaire per SME. Data was analysed using descriptive statistics, factor analysis, Pearson correlation and hierarchical correlation regression. It was established from the study that there was a significant positive relationship between innovative behaviour and SMEs Performance, a significant positive relationship between organizational culture and SMEs Performance, and nine-point five percent of variation in SMEs Performance is explained by innovative behaviour and organizational culture. The study was conducted during the presence of the Covid-19 pandemic which may have affected the response rate and study. Although the constructs were defined as precisely as possible by drawing relevant literature and validated by practitioners, they could only be proxies for an underlying latent phenomenon that is itself not fully measurable. It is therefore recommended that owners/managers should always suggest new working methods in their business and suggest new techniques that they feel would improve performance in their business. SME owners/ Managers should always be keen on challenging routine actions to improve their businesses and always suggest for new instruments that the business can use to reduce operational costs. Furthermore, SME owners / managers should always look for new ways to improve work or new ways to perform tasks, and always make up their mind to find original solutions to work on related problems. They also should look for possibilities to improve the existing work processes in their businesses, and also spend a lot of time building positive relationships with their employees which in return help to support new ways of doing things. When a colleague comes up with a new idea, SME owners / managers should encourage him/her and encourage other employees to support his or her idea. It is also recommended that SMEs owners/managers should ensure that there is always adherence to the rules of the organisation while carrying out the day-to-day activities. Furthermore, more emphasis should be put on preference to carry out duties in a team and giving mutual respect to all work colleagues. SME owners / managers should also encourage truthfulness and openness among the team members while carrying out organisational activities and the belief in excelling at their workplace. Overall, SMEs owners/ managers should improve in the aspects of idea generation, opportunity exploration, idea championing and idea implementation while also maintaining emphasis on the key organisational culture aspects of norms, beliefs, and values in order to achieve positive results in SMEs performance.

CHAPTER ONE

1.0 Introduction

This chapter consists of the background to the study, statement of opportunity, purpose of the study, study objectives, research questions, scope of the study, significance of the study and the conceptual framework.

1.1 Background

Small and Medium Enterprise (SMEs) are a vital engine in global economy especially in the African economy, since they drive growth, create employment - especially among youth - and spearhead innovation (Zeidy, 2021). SMEs dominate the economy in terms of size and employment (Arabeche et al, 2022). They represent about 90% of businesses and more than 50% of employment worldwide (The World Bank, 2021). In Africa, SMEs contribute more than 50% of most African GDP and an average of 60% of employment (Muriithi, 2017). In Uganda, SMEs are responsible for about 80% of employment and contribute about 40% to GDP (Rafa and Moyer, 2015; Julija, 2017). According to Uganda Investment Authority (2008), small enterprises are those that employ between 5 and 49 people and have total assets between Ugx. 10million but not exceeding Ugx 100 million while medium enterprises are those that employ between 50 and 100 people with total assets more than Ugx 100 million but not exceeding Ugx 360 million.

Worldwide at least 57% of SMEs have remained operating (Bartik, et al., 2020). In Africa, more than 50% of the SMEs have continued their operations (Zeidy, 2020). Mundua and Hisali (2020) confirms that, in Uganda also about 50% of SMEs are expected to stay in business.

For this reason, their performance is very vital. The performance of SMEs is reflected in their success in the industry in terms of financial and non-financial indicators (Chaithanapat, Punnakitikashem & rakthin, 2022).

In this current study, the performance of SMEs is hypothesized to be influenced by innovative behaviour and organizational culture. It is therefore essential to understand an SMEs culture (Arabeche, Soudani, Brahmi, Aldieri, Vinci & Abdelli, 2022) and also fostering the innovative behaviour of the workforce (Bag, Dhamija, Bryde & Singh, 2022). Findings from earlier research on SMEs suggest that behavioral characteristics are the most powerful and dominant factors affecting the performance of small and medium enterprises (Sakib, Rabbani, Hawaldar, Jabber, Hossain & Sahabuddin, 2022). Therefore, the presence of innovation and creativity in small and medium enterprises is among the reasons for boosting performance (Arabeche et al, 2022). Evidence by Alexander et al. (2020) indicates that small and medium-sized enterprises (SMEs) are changing their business models to adapt to this ever-changing business environment.

This study was informed by Diffusion of Innovation (DOI) Theory by Rogers (1962). Diffusion of Innovation suggests that over time, an idea or product gains momentum and diffuses (or spreads) through a specific population or social system. The theory advocates that engaging in innovative behaviour, workers and managers respond to and adjust thoughts that would have not been produced and also adopt a strong organizational culture where the key values are deeply respected and are visibly present with stronger influence on employees' flexibility that is translated into good performance, hence enhancing SMEs Performance. Therefore, this study focused on how organizational culture and innovative behaviour affect performance of SMEs in South Division, Mbarara City.

1.2 Statement of the Opportunity

SMEs play a crucial role for economic development of African countries. They are a vital engine in African economies, since they drive growth, create employment especially among youth and spearhead innovation (Zeidy, 2020). Evidence indicates that at least 60% of SMEs renewed their trading licenses in the year 2020 amidst the challenging and uncertain times of

the Covid -19 pandemic (South Division, Mbarara - Internal Annual Performance Report, 2020). The resilience and performance of these SMEs could be largely attributed to their innovative behaviour and strong organizational culture. Several studies have investigated the performance of SMEs in isolation of organizational culture and innovative behaviour and in the absence of a pandemic (Janssen, 2000; Yazici, 2009, Leković and Marić, 2015; Afsar et al.,2018; Yasas, 2019). The lack of consensus in estimations and reporting of findings by previous researchers in the context of a pandemic or in a period of high uncertainty as similar to the pandemic makes the applicability of results inappropriate in developing countries including Uganda. Hence, this research study examined how the innovative behaviour and organizational culture affects SMEs Performance in South division, Mbarara City, Uganda during times of high uncertainty similar to the Covid – 19 pandemic period.

1.3 Purpose of the Study

The purpose of this study was to examine the relationship between Organizational culture, Innovative behaviour and SMEs Performance among SMEs in South division, Mbarara City.

1.4 Research Objectives

The study aimed at examining the following objectives below.

- (i) To assess the relationship between organizational culture and SMEs Performance in South division, Mbarara City.
- (ii) To determine the relationship between innovative behaviour and SMEs Performance in South division, Mbarara City.
- (iii) To investigate the joint contribution of organizational culture, innovative behaviour on SMEs Performance in South division, Mbarara City.

1.5 Research hypothesis

- (i) H₁: There is a positive and significant relationship between organizational culture and SMEs Performance in South division, Mbarara City.
- (ii) H₂: There is a positive and significant relationship between innovative behaviour and SMEs Performance in South division, Mbarara City.
- (iii) H₃: Organizational culture and innovative behaviour jointly and significantly contribute to SMEs Performance in South division, Mbarara City.

1.6 Scope of the Study

1.6.1 Geographical scope

The study was limited to licensed SMEs of South division, Mbarara City that renewed their trade license during FY2020. South division, Mbarara City was considered for this study because it is a hub for SMEs in greater Ankole sub region and its SMEs have portrayed the highest level of resilience whereby above 60% of SMEs in South division renewed their trade licences during FY2020.

1.6.2 Subject Scope

The subject scope of the study was limited to organizational culture, innovative behaviour, and SMEs Performance.

1.7 Significance of the Study

This study may guide the SMEs in South Division – Mbarara city and other well-wishers in putting into practice innovative behaviour and organizational culture attributes that can boost the performance of SMEs.

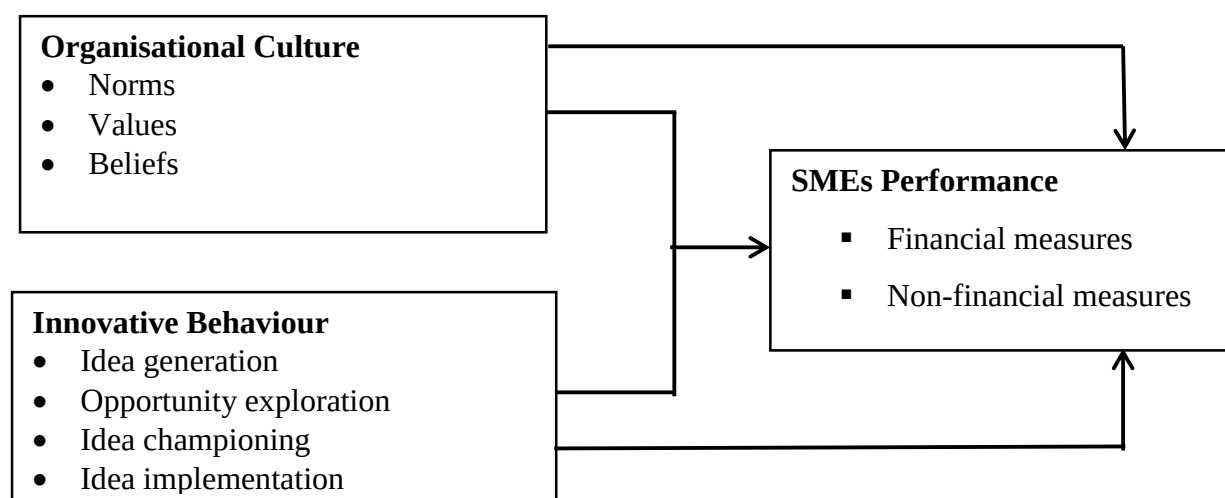
The study may also contribute to guiding the government policy makers in designing economic recovery policies and programs for SMEs countrywide.

The findings of this research may also contribute to theories such as Diffusion of Innovation (DOI) Theory by providing additional evidence to support the existing theories. Researchers may use information in this study as part of a literature review while carrying out other research on the impact of innovative behaviour and organization culture on the SMEs Performance.

1.8 Conceptual framework

The study seeks to examine SMEs Performance using innovative behaviour and Organizational culture. As presented in the figure 1, it is conceptualized that when SMEs embrace Organizational culture by observing norms, values and beliefs, there is a likelihood of improved SMEs Performance. In addition, according to Buba et al. (2017), when SMEs embrace Innovative behaviour such as idea generation, idea championing, opportunity exploration, and idea implementation, there is a likelihood of improved SMEs Performance reflected in terms of financial and non-financial benefits. Thus, the study sought to test for hypothesis i) there is a positive and significant relationship between organizational culture and SMEs Performance, ii) there is a positive and significant relationship between innovative behaviour and SMEs Performance and iii) there is a joint and significant relationship between organizational culture, innovative behaviour, and SMEs Performance.

Figure1: conceptual framework



Source: Developed from literature; (Janssen, 2000; Yazici, 2009, Leković and Marić, 2015)

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviewed literatures written by other scholars in relation to the research objectives. The literatures reviewed included textbooks, journal articles and unpublished dissertations.

2.1 Theoretical review

Diffusion of Innovation (DOI) Theory

This study was underpinned by the diffusion theory. Diffusion of Innovation (DOI) Theory, developed by E.M. Rogers in 1962, is one of the oldest social science theories. It originated in communication to explain how, over time, an idea or product gains momentum and diffuses (or spreads) through a specific population or social system. The end result of this diffusion is that people, as part of a social system, adopt a new idea, behaviour, or product. Adoption means that a person does something differently than what they had previously (i.e., purchase or use a new product, acquire and perform a new behaviour, etc.). The key to adoption is that the person must perceive the idea, behaviour, or product as new or innovative. It is through this that diffusion is possible. Diffusion is the process through which new ideas, technologies, products, or processes are spread through communication among members of a social system via communication channels over time. Adoption of a new idea, behaviour, or product (i.e., "innovation") does not happen simultaneously in a social system; rather it is a process whereby some people are more apt to adopt the innovation than others. However, its weakness is that DOI works better with adoption of behaviours rather than cessation or prevention of behaviours. It doesn't take into account an individual's resources or social support to adopt the new behaviour (or innovation) (Rogers, 1996). One of the core strengths of the diffusion of innovation theory lies in its applicability. A large volume of studies across multiple disciplines have utilized the theory as framework; it has yielded similar results across the board, from

journalism studies to health communication, SMEs Performance thus confirming the diffusion process. Overall, the DOI tradition has sought to explain individual adoption decisions or intentions to adopt. These decisions concern well-defined innovations and the adoption population is relatively homogeneous and has well defined boundaries. A host of factors including the availability of information concerning technology adopters' properties (like past experiences), characteristics of the social system (like management support, social norms, availability of change agents), and the communication process (through which media, how often) explains the adoption decisions in SMEs Performance (Rogers, 1996). Researchers have found that people who adopt an innovation early have different characteristics than people who adopt an innovation later. When promoting an innovation to a target population, it is important to understand the characteristics of the target population that will help or hinder adoption of the innovation. innovation process and innovation strategy in organizations is supported by innovation structure and innovation culture (Apilo & Taskinen,2006). The core innovation process in companies is highly relevant to organizations' performance, but without an organizational innovation culture, structure and strategy, organizations cannot be as innovative as they could. Transparent communication in the organization includes employees' participation and involvement in organizational activities. When organization members engage in open communication, they may easily share relevant information throughout the organization. In a strong organizational culture, business managers encourage their employees to participate in a key decision-making process (Pathiranage,2019). In an effective organizational culture, business managers and employees work together (social system) to improve performance and productivity in the organization (Eaton and Kilby, 2015). Thornhill (2006) described that firms with a high degree of innovativeness within its employees have better performance. He further added that innovation is the key factor in entrepreneurial activities.

2.2 SMEs Performance

SMEs Performance is a reflection of organizational success, which means that the better the SMEs Performance, the more successful the business can be considered (Sumiati 2020). Organizational performance is multidimensional, connected to the goals and objectives of organizations, and can be defined as an organization's ability to use its resources efficiently and create outputs that are consistent with its objectives and relevant for its users (Peterson et al. 2003). It is also defined as the ability of any business of any kind to make the best use or fail to use the available resources to achieve the organizational set goals and objectives (Leković & Marić, 2015). SMEs Performance is measured in terms of financial characteristics (items that can be expressed in monetary unit such as profitability and non-financial characteristics (items that cannot be expressed in monetary units) such as customer retention (Leković & Marić, 2015).

2.3 Innovative Behaviour

Janssen (2000) defines innovation behaviour as the intentional creation, introduction and application of new ideas within a work role, group or organization, in order to benefit role performance, the group, or the organization. Yuan and Woodman (2010) defines innovative behaviour as an intentional introduction or application of new ideas, products, processes, and procedures. Prajogo (2016) defined innovation behaviour basically thinking out of the box with alternative methods. However, Luu (2019) also draws attention to the problem that the innovative behaviour of employees has not received sufficient attention compared to team or organizational innovation. Jong and Hartog (2007) measured innovative behaviour in terms of idea championing, idea generation, opportunity exploration and idea implementation. Opportunity exploration refers to the search for novel ideas and methods to perform tasks and design new product from a different and often origin perspective. Idea generation is the process of creating, developing and communicating abstract, concrete or visual ideas, Idea

implementation refers to putting in action or execution of the idea generated whereas idea championing refers to learning the idea, catching the vision of its tangible and intangible possibilities for the organization.

2.4 Organisational Culture

According to Yazici (2009), organisational culture is the collection of values, beliefs and behavioural norms that offer guidance to its members. Organisational culture is the general attitude to projects within the business (Popa et al., 2019). The organizational context of a culture serves as a foundation for the methods of operation, an organization's management system as well as a set of management practices and behaviour that both exemplify and reinforce those basic principles (Oberföll et al., 2018). Organisational culture will be measured in terms of norms, values and beliefs of an organisation (Moormann & Grau, 2017). Beliefs are peoples' understanding of a particular event or situation, it is the way people define events that they are faced with, norms are a set of rules for human behaviour in the organization or the way things are done, whereas values are core principles upon which an entire organization exists (Moormann & Grau, 2017).

2.5 Organisational Culture and SMEs Performance

A study by Aketch et al (2017) on organizational culture and the performance of SMEs in Uganda established a positive relationship. The study recommended that management encourages proactive involvement of employees in the decision-making process and in addition particular attention should be paid to the process of strategic planning. Business managers with strong organizational culture use transparent and open communication to motivate employees and to improve performance and productivity in the organization (Kohtamaki et al., 2016). Pathirana (2019) added that transparent communication in the organization includes employees' participation and involvement in organizational activities. When organization members engage in open communication, they may easily share relevant information

throughout the organization. In a strong organizational culture, business managers encourage their employees to participate in a key decision-making process. The employees' involvement in the organizational decision-making process is important to improve performance and productivity (Miguel, 2015). Pinho et al. (2014) denoted that in a strong organizational culture, employees and business managers have an excellent professional quality that contributes to performance improvement in the organization. Professional quality contains (a) respect and dignity between employees and managers, (b) high commitment to customer services, and (c) motivation and moral engagement to achieve organizational priorities. When employees and business managers develop respect and dignity between them, they can help each other and may integrate their knowledge and experience to improve performance in the organization (Miguel, 2015).

A study on a strong corporate culture is key to success by Simoneaux and Stroud (2014) and noted that strong organizational culture is important to motivate employees in the organization. Fiordelisi and Ricci (2014) also added that motivated employees use their time efficiently in performing their daily tasks hence improved SMEs Performance. Fiordelisi and Ricci (2014) found motivated employees as important factor to improve performance and achieve organizational goals. Loyal and engaged employees are important to maintain an effective organizational culture and to improve performance in the organization. For example, Pinho et al. (2014) noted that employees with a sense of ownership might significantly improve performance and productivity in the organization. Denison, (1990) also earlier noted that when employees have a sense of ownership and responsibility, they may fulfil their responsibility without close supervision and control. A study on The influence of corporate culture on managerial leadership style: The Nigerian experience. by Nwibere (2013) also indicated that a healthy and strong organizational culture are positive factors to increase organizational performance.

Members of the organization use an effective organizational culture to develop teamwork and knowledge sharing culture (Wiewiora, et al., 2014). In an effective organizational culture, business managers and employees work together to improve performance and productivity in the organization (Eaton and Kilby, 2015). Business managers with effective organizational culture give priority to excellent customer services (Berg & Wilderom, 2012). Denison (1990) added in most cases, organizational leadership contains outstanding customer service as part of a mission statement (Denison, 1990). Miguel (2015) indicated that leadership must value good customer service as a source of sustainable competitive advantage. Denison (1990) also noted that in an effective organizational culture, employees share the organization's values and beliefs. When employees share the organizational values and beliefs, they motivate themselves to achieve organizational goals by providing caring and comfortable service for customers (Childress, 2013). In an effective organizational culture, business managers align the organization's mission with organizational priorities to improve performance and to determine future directions of the organization (Raza et al., 2014). In an effective organizational culture, business managers define the organization mission by providing purpose and meaning to every major part of the organization's mission (Givens, 2012). The mission contains (a) clear direction and vision, (b) strategic decision and intent, and (c) goals and objectives of the organization that members use to guide the activities of the organization (Mousavi et al., 2015). In an effective organizational culture, business managers use the organization's mission and vision to determine the organization short and long-term goals (Nongo & Ikyanyon1, 2012). Business managers use the organization mission to provide appropriate direction to internal and external stakeholders (Raza et al., 2014). However, unhealthy organizational culture leaves employees feeling miserable, with decreased motivation to commit to their job (Popa et.,2019). Yasas (2019) added that an unpleasant culture can increase employee turnover because nobody wants to stick around where they're miserable. Other consequences of negative culture

include gossiping, low employee engagement, higher rates of absenteeism and presenteeism, a lack of empathy, a lack of flexibility and high employee turnover (Sherman, 2019). Organizational culture also leads to resistance to change. Phrases such as “we always do things this way,” “that won’t work here” and “it’s not my problem” hinder progress. Google’s study on collaboration found that within 258 companies, 73 percent of employees believed their company would be more successful if they were encouraged to work in flexible and collaborative ways. Yet the biggest barriers to creating a culture of collaboration were changing working styles and habits (22 percent), a lack of incentives to work collaboratively (17 percent) and a lack of leadership (14 percent) (Maier, 2016). Spiritual organizations tend to be intolerant of employees who commit mistakes (liu, 2022). The above review of literature reveals the first hypothesis:

H1: There is a positive and significant relationship between organizational culture and SMEs Performance among SMEs.

2.6 Innovative Behaviour and SMEs Performance

A study by Najjuka (2018), on Innovative Behavior and Performance of Small-scale business in Kampala - A case of Restaurants in Nakawa Division established a significant positive relationship between innovative behavior and performance of small businesses. Hogan and Coote (2014) defined innovative behaviour as one of the functions that companies need to make to create a new dimension of performance. Innovation behaviour can be triggered by changes in the company's internal and external environment, which will then provide an opportunity for the company to create a new procedure or systematic process to improve the overall performance. Wiklund and Shepherd (2005) added that Innovative behaviour cannot be separated from entrepreneurship. Expósito and Sanchis-Llopis (2019) studied the relationship between types of innovation and SMEs’ performance: A multi-dimensional empirical assessment. The study found that innovation behavior does not have to be technological to have

significant and positive effects not only on the financial (sales increase and reduction of production costs in subsequent years) but also on the operational (productive capacity and product/service quality) dimensions of SMEs Performance in the context of small and medium-sized enterprises. A study on Knowledge, Innovation and Firm Performance in High and Low-Technology Regimes by Thornhill (2006) described that firms with a high degree of innovativeness within its employees have better performance. He further added that innovation is the key factor in entrepreneurial activities. A study on Technology-driven strategy and firm performance: Are strategic capabilities missing links? by Hao and Song (2016) further argued SMEs need to have innovative staff for them to be successful which in the end enables them to have better chances of survival and growth. According to Drucker (1999), firms are given two options, either innovate or die. For firms to stay competitive and compete successfully, it is important for them to have innovative employees (Sáez-Martínez et al.,2014). From the findings generated from this study, it is proven that innovativeness has a significant and positive relationship towards SMEs Performance. Kafetzopoulos et al.(2020) states that innovative behaviour is the most important factor which leads to an increased market share, new product introduction and success, and overall firm performance. Canh and Bui (2019) “the relationship between Innovation Capability within employees and firm’s Performance in Electronic Companies”. They concluded that innovative behaviour is one of the determinants of organization performance because it boosts R&D, which is a process of formulating products/services that are appreciated by customers. A study on improving Small SMEs Performance: The Role of Entrepreneurial Intensity and Innovation can be assumed that manager behaviour could have a moderating effect on the relation between innovative work in employees and their individual job performance, Sumiati S (2020) also noted that its key to always think about finding innovative ways to deal with job demands like; working fast and hard, having much work to do within little time, or dealing with a heavy workload because

there is always a short way to doing something that can results into effectiveness and boost SMEs Performance. Camisón and Villar-López. (2014) noted that when employees come up with innovative ideas/solutions, they are most likely challenging and violating the established systems of theories and preferences for habitual actions in an organization. Sáez et al.(2014) argue that, if line managers are committed to the existing frameworks of thoughts and actions, innovative ideas/solutions of employees could be facing some resistance of the managers. Janssen (2000) also states that, according to the social exchange theory, levels of innovative behaviour of employees vary as they experience different levels of rewards. When employees are fairly rewarded they are willing to reciprocate this with higher levels of innovative behaviour whereas when they perceive their work is under-rewarded, they tend to limit their innovative behaviour and hence affecting SMEs Performance. Another interesting indicator of a possible relation between individual job performance and IWB is that when employees expect improved outcomes from innovative behaviour with regard to their individual job performance, innovative work behaviour seems to be significantly higher as well and job performance results into achieving organization goals hence improved SMEs Performance (Yuan & Woodman, 2010.) Sustainable innovation can be defined as “the development of new products, processes, services and technologies that contribute to the development and well-being of human needs and institutions while respecting the worlds’ natural resources and regenerative capacity” (Damanpour, 1991). Tuan et al. (2016) explored two parts: the impacts of innovative behaviour on the different aspect of innovation performance, then their effects to firm performance (production, market, and financial performance). The result demonstrated that there are positive effects of process, marketing, and organizational innovations on firm performance in supporting or service firms. More specifically, the higher the level of innovation activities is, the greater the innovative performance is, which means the larger the level of process, organization, and marketing innovation activities are, the higher the level of innovative

performance are likely to be. Secondly, the higher the level of process, organization, and marketing innovative performance, the better the level of firm performances is likely to be. To sum up, in order to improve the innovative and firm performance, those firms in service / supporting industry should highly concentrate on process, marketing, and organizational innovation activities, rather than product innovation activities. Ndesaulwa and Kikula (2017) investigated the impact of Innovative behaviour on Performance of Small and Medium Enterprises (SMEs) in Tanzania. The result showed that the innovative behaviour has a positive impact on the efficiency and performance of firms. They concluded that investments in innovation and technology of employees should be treated as positive inputs into the efficiency of the firm rather than as cost figures that exhaust the firm. Camisón and Villar-López, (2014) assessed the association among organizational innovative behaviour and technological innovation competencies and analysed their influence on firm performance in Spanish industrial firms. The results confirmed that organizational innovative behaviour favours the development of technological innovation competencies and that both organizational innovation and technological competencies for products and procedures can lead to greater firm performance and hence SMEs Performance. Singh et al. (2016) provided the empirical evidence of green innovation behaviour to motivate manufacturing MSMEs toward environmentally responsible activities which results into better SMEs Performance. However, Yuan and Woodman (2010) indicate that innovative behaviour ideally should involve the entire organization, even though this is not always possible or feasible. Even if everyone takes part in the innovative behaviour process in some way or another, some people will nevertheless be more involved and have greater responsibility (Sumiati., 2020). Managing innovative behaviour is an important process that only a few companies master very well (Camisón & Villar-López, 2014). Maier (2013) added that innovative behaviour is not fully understood or implemented by organizations, because of the lack of maturity of the innovation culture. Also

Scott (1995) argues that employees might have fewer resources available to improve role or job performance after engaging in the innovative processes, which will lead to a smaller or null relationship between innovative behaviours and role or job performance hence affecting project performance. The positive effect of innovative behaviour is mutual for both the organization and the employees themselves in the form of, for example, better working conditions, higher job satisfaction or increased well-being (Lukes & Ute, 2017). However, Zhou (2014) provides evidence showing that innovative behaviour could indeed lead to some positive outcomes, such as employees improved role or job performance, but it could also produce negative effects by leading employees to have more relationship conflicts with colleagues which may result into overall organizational poor performance. The above review of literature reveals the second hypothesis:

H2: There is a positive and significant relationship between innovative behaviour and SMEs Performance among SMEs.

2.7 Combined contribution of Organisational Culture and Innovative Behaviour on SMEs Performance

Business managers with strong organizational culture use transparent and open communication to motivate employees and to improve performance and productivity in the organization (Kohtamaki et al., 2016). Kotler et al. (1990) adds that behind every successful and innovative behaviour corporation there is a mutual organizational culture that fits to overall strategy towards achieving the business's performance. Martins and Terblanche (2003) have studied that the degree of support and encouragement in an organization provides its employees to take initiative and explore innovative approaches which is predicted to influence the degree of actual innovation in that organization. This is exactly what managers should be doing in adopting sustainable approaches and use of rather new clean-tech solutions or new sustainable business models. According to Apilo & Taskinen (2006:8) innovation process and innovation strategy

in organizations is supported by innovation structure and innovation culture. The core innovation process in companies is highly relevant to organizations' performance, but without an organizational innovation culture, structure and strategy, organizations cannot be as innovative as they could. Matinaro and Liu (2017) noted that a common belief of organizations is that the organization culture is one of the most important factor of competitiveness. Although it can be quite difficult to replace certain individuals, and relatively easy to imitate products and processes, organizational culture is unique and persists over time - not everyone can create it. Those companies, whose employees are open to new ideas and are prepared to actively participate in technological change by being creative and showing an initiative, usually, have a greater potential for innovation which is key for SMEs Performance.

Bodemann et al. (2015) denoted that the culture of innovative behaviour is the ability of the organization to define, implement and develop new products, regular processes, making them the daily life of organizations. Innovation itself does not last long, but the advantage of systematic innovation capacity can take a long time. Bolton (2013) early ago argued that to gain this advantage, the company needs to create an innovation culture. Organizational culture counts enormously in innovation. The analysis of the characteristics of successful firms shows that they have developed organizational cultures where innovation is seen as the responsibility of everyone and as an objective that employees at all levels try to do in their day-to-day work which eventually contributes to business success. Kafetzopoulos et al. (2020) noted the leading role of the leader in innovation is to create a culture in which innovative behaviour and creativity are found in everyone's work. Innovation requires the declared commitment of higher management, supported by the allocation of resources and incentives. These signals of opening up to innovation must reach all employees. The communication method is another key factor in conducting leadership and creating a culture conducive to innovation to support SMEs Performance.

Ceausu et al. (2017) studied the Organizational Culture as A Support of Innovation Processes. The study found out that organizations need broad information dissemination processes to reduce innovation uncertainty and the changes it produces. At the same time, good communication favours the expansion of participation in the innovation process. The defining values of the company are essential tools of leadership in modern management. Values determine priorities and decisions, which are reflected in the way a company spends its time and money. The values of a company are not what the leaders say or what they write in promotional materials and reports, but what people, leaders and employees do. Really innovative organizations provide the resources needed to support entrepreneurial action, stimulate creativity and learn. Behaviours describe how people act in terms of innovation. For leaders, these actions include the description of the future through strategies and plans and the energizing of employees to achieve defined goals. For employees, innovation actions include participation in innovation by finding solutions or engaging in projects, perseverance in overcoming technical barriers, negotiating resources, listening to customers, all these are key essentials for SMEs Performance, Olaru et al. (2016). Maier (2013) added that organizational culture is considered in the literature as one of the factors that can stimulate innovative behaviour among members of the organization. Because it influences employee behaviour, it can lead to the acceptance of innovation as a fundamental value by the organization. Therefore, leaders must promote the innovation of an organizational culture within the organization, being personally involved in setting and implementing clear and relevant methods to support innovation for sustainable SMEs Performance. However, when the assumed values and employee behaviours remain constant, resolutions are often formal, even if the structures and working procedures have been modified. These do not lead to the expected results; on the contrary, they often produce frustration, loss of confidence and a decline in employee morale, and the organization may get worse than before the change projects (O'Donnell, 2008). Those

companies, whose employees are open to new ideas and are prepared to actively participate in innovation change by being creative and showing an initiative, usually, have a greater potential for innovation. Terréi (2002) and Bodemann, (2015) argues that an organizational culture does not consist only of people. The systems, procedures, and organizational structure make individuals interact in a certain way (Hogan & Coote, 2014). A key result is how the layers of organizational culture, particularly norms, artifacts, and innovative behaviours, partially mediate the effects of values that support innovation on measures of firm performance. The above review of literature reveals the third hypothesis: *H3: There is a joint and significant contribution of organizational culture and innovative behaviour on SMEs Performance among SMEs.*

2.8 Conclusion

From the Literature review, several researchers seem not to have derived their research into the relationship between organizational culture, innovative behaviour and SMEs Performance of SMEs in South Division, Mbarara City during COVID-19 era nor in the context of a period of high uncertainty similar to the pandemic period (Montani and Staglianò, 2021; Cao et al.,2022; (Gorzelay-Dziadkowiec, 2021; Suprapti et al.,2021; Sapta et al., 2021 and Li et al.,2021). However, this research attempted to fill the existing gaps by examining the correlation between organizational culture, innovative behaviour, and SMEs Performance of SMEs in South Division, Mbarara City in the context of the COVID-19 era and the conclusions are confirmed by empirical evidence on the variables investigated.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents the research design, study population, the sample size and sampling technique, the data source and data collection instrument, the measurement of variables and testing the reliability and validity of the research instrument.

3.1 Research Design

This study adopted a cross sectional survey design because the study was focusing on the present situation and also enabled the researcher to collect data within a short time (Connelly, 2016). The researcher used quantitative approaches to data collection and analysis of findings. Quantitative approach was used because it helped the researcher to present the data in numerical terms. Further, the use of quantitative methods gave a rich interpretation of innovative behavior, organizational culture and SMEs Performance in South Division, Mbarara City.

3.2 Study population and sample

The study population comprised of 4793 SMEs in South Division - Mbarara City (Commercial Office Report, 2022). Given a population of 4793 SMEs, the sample size for this study was 354 as determined using Krejcie and Morgan's (1970) table for sample size determination. South Division in Mbarara city was considered for this study because it is a hub for SMEs in Mbarara City and Western Uganda at large.

Table 3.1: Study population and sample

Categories	Number	Sampling procedure	Sample Size
Clinics	180	Convenient sampling	20
Hotels and bars	325	Convenient sampling	25
Restaurants	10	Convenient sampling	6
Eating houses	305	Convenient sampling	20
General merchandise wholesale	333	Convenient sampling	25
General merchandise retailer	1927	Convenient sampling	90
Consultancy services	22	Convenient sampling	4
Metal and wood	35	Convenient sampling	7
Garage	52	Convenient sampling	9
Supermarkets	8	Convenient sampling	2
Mobile money	53	Convenient sampling	11
cortege	200	Convenient sampling	29
Mobile agents	44	Convenient sampling	9
Photo booth	10	Convenient sampling	6
Grocery	103	Convenient sampling	12
Boutique	568	Convenient sampling	35
Butchery	568	Convenient sampling	35
Beauty Saloons	50	Convenient sampling	9
Totals	4793		354

Source: Commercial Office Report (2022)

SMEs was the unit of analysis, and the unit of inquiry was one person per SME; and this was either the manager or the owner of the business. These were considered because they are more knowledgeable on the subject area.

3.3 Sources of Data and Data Collection Instruments

3.3.1 Sources of Data

Primary data formed the main data source for this study.

3.3.2 Data Collection Instruments

Data was collected using a self-administered close-ended questionnaire, rated using a 6-point Likert scale. 1-Strongly Disagree (SD), 2-Disagree (D), 3-Moderately Disagree (MD), 4-Moderately Agree (MA), 5-Agree (A) and 6-Strongly Agree (SA), and less than 1% (1) 1-2% (2) 3-4% (3) 5-6% (4) 7-8% (5) over 9% (6). The questionnaire was divided into major sections to address specifically every variable in the model. These included: demographic characteristics, organisational culture, innovative behaviour and SMEs Performance. A self-

administered close-ended questionnaire was used because it was appropriate for collecting numerical data.

3.4 Operationalization and Measurement of variables

The questionnaire was developed using items measured, developed and tested by previous scholars (Janssen, 2000; Yazici, 2009, Leković and Marić, 2015). Nonetheless, a few modifications were made to suit the study context. The indicator variables of organizational culture, innovative behaviour and SMEs Performance were anchored on a six (6)-point scale and varied as presented in table 3.2 below.

Table 3.2: Operationalization and Measurement of variables

Global Variable	Dimensions	Operationalization	Sample questionnaire items
SMEs Performance	Financial characteristics	quantitative measures that can be expressed in monetary units (Leković & Marić, 2015).	...profit has increased by...
	Non-financial characteristics	quantitative measures that cannot be expressed in monetary units (Leković & Marić, 2015).	...market share has increased by ...
Organizational culture	Norms	norms are a set of rules for human behavior in the organization or the way things are done (Moormann & Grau, 2017)	I always perform my job duties in line with the policy of this organisation
	Values	values are core principles and deals upon which an entire organization exists. (Moormann & Grau, 2017)	I give mutual respect to all my workmates
	Beliefs	Beliefs are peoples' understanding of a particular event or situation, it is the way people define events that they are faced with (Moormann & Grau, 2017)	I believe in excelling at my workplace
Innovative behaviour	Idea generation	Idea generation is the process of creating, developing and communicating abstract, concrete or visual ideas Jong and Hartog (2007).	I always suggest new working methods in my business
	Opportunity exploration	Opportunity exploration refers to the search for novel ideas and methods to perform tasks and design new product from a different and often origin perspective Jong and Hartog (2007)	I always make up my mind to find original solutions to work related problems
	Idea Championing	Idea championing refers to learning the idea, catching the vision of its tangible and intangible possibilities for the organization Jong and Hartog (2007)	I always negotiate with my fellow workers re-examine their views on a new idea they oppose
	Idea implementation	Idea implementation refers to putting in action or execution of the idea generated. Jong and Hartog (2007)	I always put into action improvements into the workplace

3.5 Validity and reliability of the instrument

3.5.1 Validity of the instrument

Validity refers to whether an instrument measures what it was designed to measure, and it is one way of trying to ensure that the measurement error is kept to a minimum (Field, 2009). In this study content validity was used to assess the degree to which individual items in the questionnaire represent the constructs being measured (Field, 2009). A panel of 5 experts, who were business admiration, and academia were asked to rate the relevancy of items in the instrument as measures and dimensions of the variables. The content validity index (CVI) which is calculated as $CVI = \frac{\text{total relevant items}}{\text{total items}}$, analysis was based on the recommended cut-off point of 0.7 (Field, 2009)

3.5.2 Reliability of the instrument

Reliability is the ability of an instrument to produce consistent results (consistency). A method is reliable if it produces the same results whenever it is repeated. Reliability test indicates the extent to which it is without bias or free from error, and hence ensures consistent measurement across time and across the various items in the instrument (Thompson, 2013). The consistency of the scale used to measure the items on the study was based on Cronbach alpha's coefficient (1946). The recommended cut-off point for the Cronbach alpha's coefficient is 0.7 (Nunnally & Bernstein, 1994)

Table 3.3: Validity and reliability results

Variables	CVI	Cronbach's Alpha	No of Items
Innovative behaviour	.874	.833	21
Organization culture	.942	.849	8
SMEs Performance	.897	.848	10

Source: Primary data, 2022

3.6 Data processing and analysis

Data from the field was entered into SPSS and cleaned. The process of cleaning included missing value analysis and testing for outliers. This followed by testing the parametric assumptions. This was necessary given the nature of the research objectives and methodology. Because of the nature of the research objectives which are correlational in nature, data analysis techniques adopted included descriptive and inferential statistical techniques. Descriptive statistical analysis was used to analyze demographics such as age, and education by looking at mean and frequencies. Additionally, inferential statistics techniques involving correlation and regression analysis were employed. Pearson's correlation technique helped to confirm the relationships and the regression technique enabled establish the joint level of significance of the two variables, their predictive power on the dependent variable as well as the individual contribution of each independent variable in the model. At bi-variate level, innovative behavior, organizational culture as the independent variables were correlated with SMEs Performance.

3.7 Ethical considerations

To ensure privacy and build confidence of the respondents, the respondents were informed upfront that indeed their names were not required (Mugenda & Mugenda, 2003). In addition, the respondents were informed that the information collected would be solely used for academic purposes (Amin, 2005).

CHAPTER FOUR

PRESENTATION AND ANALYSIS OF FINDINGS

4.0 Introduction

This chapter is comprised of the presentation and analysis of findings. It includes descriptive statistics, correlation analysis and regression analysis. These show the results as tested by the objectives of the study which were;

- (i) To assess the relationship between organizational culture and SMEs Performance.
- (ii) To determine the relationship between innovative behaviour and SMEs Performance.
- (iii) To investigate the joint contribution of organizational culture, innovative behaviour on SMEs Performance.

4.1 Response rate

Data was analysed at the SMEs level. The response rate was 100% which means that all 354 SMEs participated.

4.2 Demographic characteristics of the sample

This section presents information about the demographic characteristics of the respondents of the study. The demographics are about the SME owner or the manager. The demographic characteristics of the respondents analysed include; gender, age, duration in business and highest level of education attained. Those of the Business (SME) include; Age of business, number of employees, daily revenue and type of business. To analyse the demographic characteristics of the sample was necessary because it is always good to know the nature of the population/elements included in the study.

Table 4.1: Descriptive Analysis of respondents

Category	Items	Frequency	Percent
Gender	Male	199	56.2
	Female	155	43.8
Age bracket	Below 30 years	280	79.1
	30-40 years	36	10.2
	41-51 years	38	10.7
Level of education	Primary	16	4.5
	Secondary	28	7.9
	Certificate	87	24.6
	Diploma	100	28.2
	Degree and above	123	34.7
For how long you have been in business	1-5 years	306	86.4
	6-10 years	43	12.1
	11-14 years	5	1.4
	Total	354	100.0

Source: Primary data, 2022

It was observed that the majority of the respondents were males (56.2%) while (43.8%) were females. The results show that most of the respondents to this research study were males. Furthermore, results in table 4.1 indicate that majority of the respondents were below 30 years of age (79.1), followed by those aged between 41-51 years (10.7%) while the minority are those aged between 30-40 years (10.2%). This shows that most of the respondents to this research study were aged below 30 years. Also results in the table indicate that majority of the respondents were holding degrees and above (34.7%) followed by those diploma holders (28.2%), certificate holders (24.6%), secondary dropouts (7.9%) while primary dropout were the minority (4.5%). The result show that most of the respondents to this research study were degrees holders and above. The results also indicate that majority of the respondents had been in business 1-5 years (86.4%), followed by those 6-10 years (12.1%) while minority were 11-14 years (1.4%). The results show that most of the respondents to this research study were those who have been in business 1-5 years.

Table 4.2: Descriptive Analysis of SMEs

Category	Items	Frequency	Percent
Age Of the business	Less than 5 years	185	52.2
	5-10 years	121	34.2
	Above 10 years	48	13.6
Number of employees	Less than 6 persons	148	41.8
	6-10 persons	131	37.0
	10-15 persons	73	20.6
	Above 15 persons		0.56
Daily revenue	Less than 1 million	192	54.2
	1-2 million	134	37.9
	Above 2 million	28	7.9
Type of Business	General Merchandize Retail	90	25.4
	Beauty Saloon	44	12.4
	Butchery	35	9.9
	Cottage	30	8.5
	Hotel & Bar	25	7.1
	General Merchandize whole	23	6.5
	Clinic	21	5.9
	Eating Houses	20	5.6
	Grocery	12	3.4
	Mobile Money	11	3.1
	Garage	9	2.5
	Mobile Agent	9	2.5
	Metal & wood	7	2
	Restaurant	6	1.7
	Photo Booth	6	1.7
	Consultancy Services	4	1.1
	Super market	2	0.6
	Total	354	100.0

Source: Primary data, 2022

The results in table 4.2 indicate that majority of the SMEs have been in existence for less than 5 years (52.2%) followed by those 5-10 years (34.2%), while the minority were those that had existed for above 10 years (13.5%). This indicates that most data collected came from young SMEs. The results also indicate that majority of the SMEs employ on permanent basis less than 6 persons (41.8%), followed by those employing 6-10 persons (37.0%), while the minority were those that employ 15 persons and above. This shows that most of the SMEs employ less than 6 persons on permanent basis. Furthermore, the results in table 5 indicate that majority of

SMEs collect daily revenue of less 1 million (54.2%), followed by those 1-2 million (37.9%) and minority were those collecting daily revenue of above 2 million (7.9%). This indicates that most data were collected from SMEs who collect daily revenue of less than 1 million. Also the results indicate that majority of SMEs were general merchandize retail (25.4%), followed by beauty salons (12.4%), butcheries (9.9%), Cottage (8.5%), hotel and bars (7.1%), general merchandize whole sale (6.5%), clinic (5.9%), eating houses (5.6%), grocery (3.4%), mobile money (3.1%), garage and mobile agents (2.5%) respectively, metal and wood (2%), photo booth and restaurant (1.7%) respectively, consultancy services (1.1%) and minority were supermarket (0.6%). This indicates that data was collected mostly from general merchandize retail SMEs.

4.3 Factor Analysis Innovative Behaviour

The results in table 4.3 below highlight the relative composition of innovative behaviour in SMEs. Factor analysis was used in order to determine those components of innovative behaviour that have more factor loadings than others.

Table 4.3: Factor analysis for innovative behaviour

Items	Idea Generation	Opportunity exploration	Idea championing	Idea Implementation
During the period of uncertainties, I always suggest new working methods in my business	0.84			
During the period of uncertainties, I always suggest new techniques that I feel would improve performance in my business	0.79			
During the period of uncertainties, I am always keen in challenging routine things to improve my business	0.73			
During the period of uncertainties, I always contribute novel ideas that move other workers into action	0.70			
During the period of uncertainties, I always suggest for new instruments that my business can use to reduce operational costs	0.69			
During the period of uncertainties, I always look for new ways to improve my work or new ways to perform tasks		0.75		
During the period of uncertainties, I always recognize opportunities to make a positive difference in my business		0.70		
During the period of uncertainties, I always make up my mind to find original solutions to work related problems		0.69		
During the period of uncertainties, I am always looking for possibilities to improve the existing work process in my business		0.68		
During the period of uncertainties, I always lookout for key figures or people who influence innovation		0.66		
During the period of uncertainties, I spend a lot of time building relationships with people within my business that help to support new ways of doing things			0.83	
During the period of uncertainties, When a colleague comes up with a new idea, I normally encourage him/her and ask people to support his or her idea			0.75	
During the period of uncertainties, I always negotiate with my fellow workers to re-examine their views on a new idea they oppose			0.74	
During the period of uncertainties, I always communicate to fellow workers about new business methods or techniques			0.71	
During the period of uncertainties, I always try to persuade people to support improvements in my business			0.60	
During the period of uncertainties, I always try to persuade people to support improvements in my business.			0.52	
During the period of uncertainties, I introduce ideas into the work environment in a systematic way				0.75
During the period of uncertainties, I always experiment new ways of executing tasks				0.75
During the period of uncertainties, I always contribute to the operationalization of new processes into the workplace				0.74
During the period of uncertainties, I always put into action improvements into the workplace				0.73
During the period of uncertainties, I always routinize new ways of executing tasks at work				0.68
% of Variance	24.28	13.60	11.35	6.15
Cumulative %	24.28	37.87	49.22	55.37
Eigen values	5.10	2.86	2.38	1.29

Source; Primary data, 2022

Results in table 4.3 above indicate that idea generation, opportunity exploration, idea championing and idea implementation are all components of the innovative behaviour variable, and they comprise variances of 24.28%, 13.60%, 11.35%, and 6.15% respectively. With idea generation, specific issues that should not be overlooked if SMEs Performance is to be improved had to do with ensuring that during the period of uncertainties owners/managers; always suggest new working methods in my business (.84), always suggest new techniques that they feel would improve performance in my business (.79), always keen in challenging routine things to improve my business(.73), and always suggest for new instruments that the business can use to reduce operational costs (.69)

With opportunity exploration, specific issues that should not be overlooked if SMEs Performance is to be improved had to do with ensuring that during the period of uncertainties owners/managers; always look for new ways to improve work or new ways to perform tasks (.75), always recognize opportunities to make a positive difference in the business (.70), always find original solutions to work related problems (.69), always look for possibilities to improve the existing work process in my business (.68) and always lookout for key figures or people who influence innovation (.66).

With idea championing, specific issues that should not be overlooked if SMEs Performance is to be improved had to do with ensuring that during the period of uncertainties owners/managers; should spend a lot more time building relationships with people within the business that help to support new ways of doing things (.83), when a colleague comes up with a new idea, they normally encourage him/her and ask people to support his or her idea (.75), always negotiate with their fellow workers to re-examine their views on a new idea they oppose (.74), always communicate to fellow workers about new business methods or techniques (.71), always try to persuade people to support improvements in the business (.60) and always try to persuade people to support improvements in the business (.52).

With idea implementation, specific issues that should not be overlooked if SMEs Performance is to be improved had to do with ensuring that during the period of uncertainties owners/managers; should introduce ideas into the work environment in a systematic way (.75), always experiment new ways of executing tasks (.75), always contribute to the operationalization of new processes into the workplace (.74), always put into action improvements into the workplace (.73) and always routinize new ways of executing tasks at work (.68).

4.4 Factor Analysis for organizational culture.

The results in table 4.4 below highlight the relative composition of organizational culture in SMEs. Factor analysis was used in order to determine those components of organizational culture that have a more factor loadings than others.

Table 4.4: Factor Analysis for organizational Culture

Items	Norms	Values	Beliefs
I always perform my job duties in line with the policy of this organization/Business.	.83		
I always follow the procedures set by the organization to carry out my duties at the workplace	.83		
I always adhere to the rules of the organisation while carrying out the day to day activities		.84	
I prefer to carry out my duties in a team		.83	
I give mutual respect to all my workmates		.65	
During the period of uncertainties, Truthfulness/ Openness is essential for me while carrying out organisational activities.			0.89
During the period of uncertainties, I believe in excelling at my workplace			0.87
During the period of uncertainties, Innovation enhances my performance at the workplace			0.71
Variance (%)	49.41	14.14	9.44
Cumulative Variance	49.41	63.55	72.98
Eigen values	3.95	1.13	0.76

Source; Primary data, 2022

Results in table 4.4 above indicate that norms, values and beliefs are all components of the organizational culture variable and they comprise variances of 49.41%, 14.14%, and 9.44% respectively. With norms, specific issues that should not be overlooked if SMEs Performance is be improved had to do with ensuring that during the period of uncertainties owners/managers; must always perform duties in line with the policy of the organization/Business (.83), and always follow the procedures set by the organization to carry out duties at the workplace (.83).

With values, specific issues that should not be overlooked if SMEs Performance is be improved had to do with ensuring that during the period of uncertainties owners/managers; always adhere to the rules of the organisation while carrying out the day-to-day activities (.84), prefer to carry out duties as a team (.83) and give mutual respect to all my workmates (.65).

With beliefs, specific issues that should not be overlooked if SMEs Performance is be improved had to do with ensuring that during the period of uncertainties owners/managers; ensured that truthfulness/ openness is essential for them while carrying out organisational activities (.89), believing in excelling at the workplace (.87) and innovation enhances performance at the workplace (.71).

4.5 Pearson Correlation Results

The objectives of the study were to establish the relationships between innovative behavior and SMEs Performance of SMEs, organizational culture and SMEs Performance, combined contribution of innovative behaviour and organizational culture on SMEs Performance. To achieve this, the Pearson (r) correlation coefficient was computed given the interval nature of the data and the need to test the direction and strength of this relationship. Table 4.5 below presents the correlation analysis results.

Table 4.5: Correlation results

Variable	1	2	3	4	5	6	7	8	9	10
Organization culture (1)	1									
Norms (2)	.809**	1								
Values (3)	.905**	.621**	1							
Beliefs (4)	.859**	.487**	.706**	1						
Innovative behavior (5)	.783**	.627**	.716**	.672**	1					
Idea generation (6)	.651**	.458**	.572**	.641**	.793**	1				
Opportunity exploration (7)	.582**	.498**	.527**	.477**	.795**	.664**	1			
Idea championing (8)	.340**	.218**	.336**	.315**	.448**	.128*	.159**	1		
Idea implementation (9)	.507**	.478**	.474**	.361**	.638**	.256**	.260**	.135*	1	
SMEs Performance (10)	.752**	.502**	.680**	.747**	.657**	.609**	.463**	.355**	.342**	1

** . Correlation is significant at the 0.01 level (2-tailed), * . Correlation is significant at the 0.05 level (2-tailed).

Source; primary data, 2022

4.5.1 Innovative behaviour and SMEs performance

The results show that there is a significant positive association between innovative behaviour and SMEs Performance ($r=.657$, $p<.01$). It was also observed that all the dimensions of innovative behaviour i.e., idea generation, opportunity exploration, idea championing and idea implementation were all significantly and positively related to the performance of SMEs with the parameters ($r = .609^{**}$, $.463^{**}$, $.355^{**}$, and $.342^{**}$). This implies that changes in innovative behaviour are associated with changes in performance of SMEs.

4.5.2 Organisational Culture and SMEs performance.

The results indicated that there is a significant positive association between organizational culture and SMEs Performance ($r=.752$, $p<.01$). It was also observed that all elements of organizational culture i.e., norms, values and beliefs, were significantly and positively related to the Performance of SMEs ($r = .502^{**}$, $.680^{**}$, and $.747^{**}$). These results imply that changes in organisational culture are associated with changes in performance of SMEs.

4.6 Regression results

Regression analysis was employed to assess the degree to which innovative behaviour and organizational culture can predict the SMEs Performance. This was done to determine the better predictor of SMEs Performance between two independent variables (innovative behaviour and organizational culture).

Table 4.6: Regression Results

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.	Collinearity Statistics	
	B	Std. Error				Tolerance	VIF
1 (Constant)	1.097	.230		4.765	.000		
Organization culture	.558	.052	.611	10.820	.000	.387	2.586
Innovative behavior	.233	.079	.171	2.947	.003	.367	2.723
Interaction term	-.014	.027	-.019	-.495	.621	.822	1.217
R	.312						
R Square	.098						
Adjusted R ²	.095						
F	37.213						
Sig.	.000						
a. Dependent Variable: SMEs Performance							

Source; primary data, 2022

The results in table 4.6 above indicate that predictors in the model explain an overall of 9.5% (Adjusted R Square=.095) of the variations / change in SMEs Performance, this also implies that 90.5% of the variations in SMEs Performance is explained by other factors not considered in this study.

The results also indicate that organizational culture is a better and significant predictor of SMEs Performance (Beta = 0.611, $p < .01$). This implies that a unit increase in organizational culture would result in to 0.611 units increase in SMEs Performance. The results also indicate that innovative behaviour is a significant predictor of SMEs Performance (Beta =0.171, $p < .01$). This implies that a unit increase in innovative behaviour would result in to 0.171 units increase in SMEs Performance.

The results further indicate that the interaction term (product of Organization culture and Innovative behaviour) predicts SMEs Performance negatively (Beta=-.019). However, the effect is not significant ($P > .05$).

CHAPTER FIVE

DISCUSSIONS, CONCLUSIONS, AND RECOMMENDATIONS

5.0 Introduction

The study focused on the relationship between innovative behaviour, organizational culture and SMEs Performance. The study was carried out to find out whether the SMEs Performance can be attributed to innovative behaviour and organizational culture. This chapter is divided into five sections, discussion of findings, conclusions, recommendations, limitations to the study, and areas for further research. These sections are guided by the study objectives.

5.1.0 Discussion of Results

5.1.1 Organizational culture and SMEs Performance.

The correlation coefficient results of the study indicate a significant positive relationship between organizational culture and SMEs Performance. Also, the relationship was confirmed by regression results that indicated organizational culture to be a significant predictor of SMEs Performance. The findings mean that when there is improvement in norms, values and beliefs, it leads to improved SMEs Performance. This confirms that H1: *There is a positive and significant relationship between organizational culture and SMEs Performance.*

The findings are in line with a study by Aketch et al (2017) on organizational culture on the performance of SMEs in Uganda which established a positive relationship. Business managers with strong organizational culture use transparent and open communication to motivate employees and to improve performance and productivity in the organization (Kohtamaki et al., 2016). Pathiranage (2019) added that transparent communication in the organization includes employees' participation and involvement in organizational activities. A study on a strong corporate culture is key to success by Simoneaux and Stroud (2014) noted that strong organizational culture is important to motivate employees in the organization.

5.1.2 Innovative behaviour and SMEs Performance

The correlation coefficient results of the study indicate a significant positive relationship between innovative behaviour and SMEs Performance. Also, the relationship was confirmed by regression results that indicated innovative behaviour to be a significant predictor of SMEs Performance. The findings mean that when there is improvement in idea generation, opportunity exploration, idea championing and idea implementation, this will result into improved performance of SMEs.

This confirms H2: *There is a positive and significant relationship between innovative behaviour and SMEs Performance.*

The findings are in line with a study by Najjuka (2018), on Innovative Behavior and Performance of Small-scale business in Kampala - A case of Restaurants in Nakawa Division established significant positive relationship between innovative behavior and performance of small businesses. To sum up, in order to improve the innovativeness and firm performance, those firms in supporting or service industry should highly concentrate on process, marketing, and organizational innovation activities, rather than product innovation activities. Ndesaulwa and Kikula (2017) investigated the impact of Innovative behaviour on Performance of Small and Medium Enterprises (SMEs) in Tanzania. The result showed that the innovative behaviour has a positive impact on the efficiency and performance of firms. They concluded that the investments in innovation and technology of employees should be treated as positive inputs into the efficiency of the firm rather than as cost figures that exhaust the firm. Camisón and Villar-López, (2014) assessed the association among organizational innovative behaviour and technological innovation competencies and analysed their influence on firm performance in Spanish industrial firms.

5.1.3 Combined contribution of innovative behaviour and organizational culture on SMEs Performance.

The results indicated that the interaction term (product of Organization culture and Innovative behaviour) predicts SMEs Performance negatively. However, the effect was not significant.

This is in a disagreement with H3: *There is a joint and significant contribution of organizational culture and innovative behaviour on SMEs Performance.*

The findings are contrary with the findings of the previous scholars such as Kohtamaki et al. (2016) and Matinaro and Liu (2017).

5.2 Conclusions

The purpose of this study was to examine the relationship between Organizational culture, Innovative behaviour and SMEs Performance in South division, Mbarara City. Organisational culture and innovative behaviour are vital antecedents of performance of small and medium enterprises, but organisational culture contributes more significantly compared to innovative behaviour. Organisations that are strong in organisational culture achieve higher SMEs Performance levels.

5.3 Recommendations

SMEs managers should endeavour to see that the culture in terms of Norms, Values and Beliefs is strengthened.

SMEs managers should create an environment that fosters Innovative Behaviour in terms of Idea generation, Opportunity exploration, Idea championing and Idea implementation among employees.

SMEs managers should develop a policy that can boost innovative behaviours of employees.

SMEs should also develop a policy on the organisational work culture so that things done in the organisation can be orderly and systematic in nature.

5.4 Limitations to the study

Responses were slow as some respondents had fear to disclose some information as they took such information to be secrets of their respective businesses. However, the researcher carefully and tactfully interacted with respondents and managed to get the data of interest for the study.

Language barrier was also a challenge during the exercise of data collection. Majority of the respondents were Runyankore speaking people however the researcher employed a good translator who could ably translate information in the questionnaire to the local language.

5.5 Areas of further research

The study adopted a cross sectional design where data is collected at one point in time and the findings from such studies are always limited to the current period only, hence future studies should look at a longitudinal research design where SMEs Performance can be monitored for a long period of time.

The study was restricted to a quantitative approach using a structured questionnaire to elicit information from the respondents meaning that other features that can be observed were not included in the findings and thus future research should incorporate qualitative factors using for example observations and interview guide.

In this study, innovative behaviour and organizational culture explain 9.5% change in SMEs Performance, further research should explore other determinants of SMEs Performance and if possible, variables that need to be combined with these variables in order to stimulate better SMEs Performance.

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Appendix 1: Questionnaire



MAKERERE UNIVERSITY
MAKERERE UNIVERSITY BUSINESS SCHOOL

Dear respondent, I am **Kitaka Joseph** conducting an academic research under the topic “innovative behaviour, organization culture and SMEs Performance in South Division, Mbarara City”. You are kindly requested to participate in this study. This is academic research and your response will be treated with the utmost confidentiality it deserves.

SECTION AI: Respondents’ demographic characteristics

Please select by **ticking** your most appropriate response to the following issues.

A1 Gender

(1) Male ☐ (2) Female ☐

A2 Indicate your age group

(1) Below 30 years ☐ (2) 30-40 years ☐ 41-51 years ☐
(4) 52 years & above ☐

A3 Indicate your highest level of education

(1) Not educated ☐ (2) Primary ☐ (3) Secondary ☐
(4) Certificate ☐ (5) Diploma ☐ (6) Degree and above ☐

A4 For how long have you been in business?

(1) 1-5 years ☐ (2) 6-10 years ☐ (3) 11-15 years ☐ (4) Above 15 years ☐

SECTION AII: Small and Medium enterprises demographic characteristics

A5 Age of the business

(1) Less than 5 years ☐ (2) 5-10 years ☐ (3) Above 10 years ☐

A6 What is the level of your daily revenue collected.

(1) Less than 1 million ☐ (2) 1-2 million ☐ (3) Above 2 million ☐

A7 Number of Employees

(1) Less than 6 persons ☐ (2) 6-10 persons ☐ (3) 10-15 persons ☐ (4) Above 15 persons ☐

A8 Indicate your type of business

- (1) Clinic ☐ (2) Hotel & Bar ☐ (3) Restaurant ☐
 (4) Beauty Saloon ☐ (5) Butchery ☐ (6) General Merchandize Retail ☐
 (7) General Merchandize wholesale ☐ (8) Boutique ☐
 (9) Photo Booth R ☐ (10) Consultancy services ☐
 (11) Metal and wood ☐ (12) Grocery ☐ (13) Garage ☐
 (14) Cortege ☐ (15) Mobile Money ☐ (16) Mobile Agents ☐
 (17) Eating Houses ☐ (18) super markets ☐

SECTION B: SMEs Performance

Please respond to the following statements regarding the performance of the business. Base on the following; **Less than 1% (1) 1-2% (2) 3-4% (3) 5-6% (4) 7-8% (5) over 9% (6)**

Code	Statements	Less than 1%	1-2%	3-4%	5-6%	7-8%	over 9%
	Financial measures						
	<i>During the period of uncertainties</i>						
F1	...profit has increased by...	1	2	3	4	5	6
F2	...return on investment has increased by ...	1	2	3	4	5	6
F3	...Sales turnover has increased by ...	1	2	3	4	5	6
F4	...working capital has increased by...	1	2	3	4	5	6
	Non-financial measures						
FN1	...customer retention has increased by...	1	2	3	4	5	6
FN2	...market share has increased by ...	1	2	3	4	5	6
FN3	... number of new customers has increased by ...	1	2	3	4	5	6
FN4	 customer satisfaction has increased by...	1	2	3	4	5	6
FN5	...employee number has increased by...	1	2	3	4	5	6
FN6	...employee retention has increased by.	1	2	3	4	5	6

SECTION C

Please indicate by ticking the appropriate box to what extent you agree or disagree with the following statements below. 1-Strongly Disagree (SD), 2-Disagree (D), 3-Moderately Disagree (MD), 4- Moderately Agree (MA), 5-Agree (A) and 6-Strongly Agree (SA).

Code	Statements	SD	D	MD	MA	A	SA
	Innovative Behaviour						
	Idea Generation						
	...During uncertainties						
I1	I am always keen in challenging routine things to improve my business	1	2	3	4	5	6
I2	I always suggest new working methods in my business	1	2	3	4	5	6
I3	I always suggest new techniques that I feel would improve performance in my business	1	2	3	4	5	6
I4	I always suggest for new instruments that my business can use to reduce operational costs	1	2	3	4	5	6
I5	I always contribute novel ideas that move other workers into action	1	2	3	4	5	6
	Opportunity exploration						
	During uncertainties						
OE1	I am always looking for possibilities to improve the existing work process in my business	1	2	3	4	5	6
OE2	I always recognize opportunities to make a positive difference in my business	1	2	3	4	5	6
OE3	I always make up my mind to find original solutions to work related problems	1	2	3	4	5	6
OE4	I always look for new ways to improve my work or new ways to perform tasks	1	2	3	4	5	6
OE5	I always lookout for key figures or people who influence innovation	1	2	3	4	5	6
	Idea championing						
	During uncertainties						
IC1	I always try to persuade people to support improvements in my business	1	2	3	4	5	6
IC2	I always communicate to fellow workers about new business methods or techniques	1	2	3	4	5	6
IC3	I always negotiate with my fellow workers to re-examine their views on a new idea they oppose	1	2	3	4	5	6
IC4	I spend a lot of time building relationships with people within my business that help to support new ways of doing things	1	2	3	4	5	6
IC5	When a colleague comes up with a new idea, I normally encourage him/her and ask people to support his or her idea	1	2	3	4	5	6
IC6	I always try to persuade people to support improvements in my business.	1	2	3	4	5	6
	Idea Implementation						

	During uncertainties						
II1	I always put into action improvements into the workplace	1	2	3	4	5	6
II2	I introduce ideas into the work environment in a systematic way	1	2	3	4	5	6
II3	I always contribute to the operationalization of new processes into the workplace	1	2	3	4	5	6
II4	I always routinize new ways of executing tasks at work	1	2	3	4	5	6
II4	I always experiment new ways of executing tasks	1	2	3	4	5	6
Organizational Culture							
	Norms						
	During uncertainties	1	2	3	4	5	6
N1	I always perform my job duties in line with the policy of this organization/Business.	1	2	3	4	5	6
N2	I always follow the procedures set by the organization to carry out my duties at the workplace	1	2	3	4	5	6
Values							
	During uncertainties						
V1	I give mutual respect to all my workmates	1	2	3	4	5	6
V2	I always adhere to the rules of the organisation while carrying out the day to day activities	1	2	3	4	5	6
V3	I prefer to carry out my duties in a team	1	2	3	4	5	6
Beliefs							
	During uncertainties						
B1	I believe in excelling at my workplace	1	2	3	4	5	6
B2	Truthfulness/ Openness is essential for me while carrying out organisational activities.	1	2	3	4	5	6
B3	Innovation enhances my performance at the workplace	1	2	3	4	5	6

Thank you